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May 8, 1997

The Honorable John D. Dingell
Ranking Member
Commerce Committee Democratic Office
564 Ford House Office Building
U.S. House of Representatives
Washington, DC 20515-6115

Re: Responses to Questions Pertaining to Legislation on Electricity Industry

Dear Honorable Dingell:

Attached is a copy of our responses to your questions pertaining to the possible enactment of federal legislation on the electricity industry. These questions have been answered honestly and as completely as possible on behalf of the Georgia Public Service Commission.

If you have any questions, please contact Daniel R. Cearfoss Jr. at (404)656-0948.

Sincerely,

Randy L. Hudson
Senior Public Utilities Engineer

Attachment

House Commerce Committee Questions On Federal Legislation Of Electric Industry

Georgia Public Service Commission

1. Has your Commission or State legislature considered or adopted retail competition?
If retail competition is occurring at this point, what effect has it had on consumer prices?

A legislative bill was introduced in 1996. In addition, State law allows new customers over 900 KW of connected load to choose their electric supplier.

2. Has your State asked Congress to enact legislation mandating retail competition? **No**

Has it sought Congressional action to enable or assist it in adopting retail competition?

No

Has it requested or recommended any other type of Congressional action? **No**

3. Does your Commission currently have sufficient authority to resolve stranded cost issues in the event Congress enacts legislation providing for retail competition by a date certain?

Yes, this Commission currently has sufficient authority to resolve stranded cost issues for investor-owned utilities, but not for municipals and cooperatives.

If not, what timing and other problems might ensue? **Not applicable.**

What could Congress do to address any such problems? **Not applicable.**

4. Are there any other areas in which your State currently does not have the necessary authority to address issues arising from federal legislation mandating competition, or repeal of the Public Utility Holding Company Act of 1935 (PUHCA) or the Public Utility Regulatory Policies Act of 1978?

Insufficient amount of information to respond effectively.

5. Would any constitutional issues be raised by federal legislation:

- a. mandating that states choose between adopting retail competition by a date certain and having a federal agency preemptively impose retail competition?

Insufficient amount of information to respond effectively.

- b. requiring states to conduct a proceeding on retail competition, reserving to the states discretion not to adopt retail competition if they determine doing so would not be in its consumers' best interests?

Insufficient amount of information to respond effectively.

6. From a practical standpoint, what problems would arise if Congress adopted legislation mandating retail competition which did not grandfather prior state action?

Unable to respond effectively at this time.

7. In hearings before the Energy and Power Subcommittee during the last Congress, some witnesses took the position that Congressional legislation mandating retail competition is necessary to protect the interests of small and residential consumers. This was based on the assertion that large industrial customers are able to negotiate lower rates with state utility commissions, and that the incidence of such rate reductions is on the increase.

- a. Are you aware of any study or analysis relevant to your State that supports this conclusion? **No**

- b. Please provide any information you can on the historical relationship between residential and industrial rates, the extent to which one customer class has subsidized another, and whether or not this trend has altered in recent years.

The relative historical relationship between residential and industrial rates has been that return on equity for residential customers was below the overall rate of return while for industrial customers, it was slightly above the overall rate of return. Particularly, residential rates have the lowest return on investment and commercial rates have the highest.

8. Although electricity rates vary widely within the U.S., they have fallen recently in some parts of the country. Please provide any information you can about rate trends in your State, and how they affect various customer classes.

Electricity rates are falling; particularly, fuel costs. For Georgia Power Company (GPC), base rates have not increased since 1991 and likewise for Savannah Electric Power Company (SEPCO) since 1995.

9. Some proponents of retail competition hold the view that all electricity resources should be sold at a market price and that state authority to regulate retail rates should be eliminated. How would such a policy affect shareholders and ratepayers?

Under the assumption that transmission and distribution (T&D) would remain regulated, there is the risk for generation pricing that the market price will be higher than it otherwise would be under current regulation. If T&D were not regulated, there is an inherent risk of developing an unregulated monopoly. Selling electric resources at market price will increase risks to shareholders and ratepayers.

What mechanisms could states or Congress employ to manage these issues?

Market power should be eliminated to a certain degree prior to full-scale competition.

In a restructured electric industry, who should receive the benefits of these low-cost resources -- utility ratepayers, utility shareholders or the highest bidder?

All should receive benefits from low-cost resources.

10. Of those states which have adopted retail competition, how many have addressed the issue of “reciprocity”, (that is, whether or not the state can bar sellers located in states which have not adopted retail competition from access to its retail markets)? Whose interests does a reciprocity requirement affect? Is a reciprocity requirement the only way to protect those interests, or are there alternatives? Would such a requirement raise constitutional issues?

This Commission has not adopted retail competition.

11. If Congress were to require “unbundling” of local distribution company services as part of a retail competition mandate, what practical problems might this present to state regulators?

Cost allocation might present a problem to state regulators.

12. Does your Commission face particular problems in connection with public power or federal power in an increasingly competitive electricity market?

Yes, because Tennessee Valley Authority (TVA) serves parts of North Georgia, but are not regulated by this Commission. There would be an unlevel playing field since TVA is federally funded.

13. How would federal legislation mandating competition by a near term date certain affect funding needs for your Commission?

This would increase funding needs for additional staff and attorneys.

If additional funding were needed, would it be available, and what problems might arise if it were not?

Unable to respond to the availability of additional funding and potential problems.

14. Has your Commission considered or adopted securitization plans as a means of providing for recovery of utility stranded assets? **No**

What risks are inherent in this approach, and who bears them?

This Commission has not considered the inherent risks in this approach at this time.

15. There is a wide divergence of opinion as to whether or not PUHCA should be modified or repealed. Given the record level of merger activity, this question may become significant for all state regulators, whether or not they currently have regulatory responsibilities relating to registered holding company activities.

- a. Do you believe PUHCA impedes competition, at the wholesale or retail level? Can “effective competition” be achieved regardless of whether Congress enacts changes to PUHCA?

This Commission has not taken an opinion at this time regarding achievement of “effective competition” resulting from changes to PUHCA.

- b. Do you believe Congress should modify or repeal PUHCA? If so, why, and under what if any conditions?

This Commission has not taken an opinion at this time as to whether or not PUHCA should be modified or repealed.

- c. Should Congress enact legislation to modify the holding in Ohio Power Co. V. FERC, 954 F.2d 779 (D.C.Cir. 1992)?

This Commission has not taken an opinion at this time.